

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of)
)
Developing a Unified Intercarrier) CC Docket No. 01-92
Compensation Regime)

Comments of the Alaska Telephone Association

The Alaska Telephone Association (“ATA”) submits these comments in response to the Commission’s Notice of Proposed Rulemaking (“NPRM”), CC Docket No. 01-92 (FCC 01-132), promulgated to examine forms of intercarrier compensation.

The ATA represents 21 incumbent local exchange carriers which, among them, serve the most remote and some of the smallest communities in the nation. The members include stock companies, privately held companies, cooperatives and a municipally owned provider. They vary in size from serving more than 100,000 customers to serving less than 200.

Most of the communities are not connected to a road system; neither are they connected by wire (copper or fiber) to the network. Most typically, access to the community is only by river or air and access to telecommunications service is available only through satellite or microwave relays. Of the 323 communities in Alaska, only 26 have more than 1000 inhabitants.¹ Therefore, over 90 percent of Alaska communities are populated by fewer than 1000 citizens.

Severe climatic conditions, extraordinary distances and difficult terrain test both physical and telephonic access. “Rural” and “remote,” as understood in the Lower Forty-eight, have an altogether different magnitude of reference in Alaska. And also in contrast to rural communities outside of this state, many rural Alaskans practice a subsistence lifestyle.

¹ “Labor Department Estimates Alaska’s 1999 Population,” September 21, 1999, Tbl. 3
<http://www.labor.state.ak.us/news/news0013.htm>.

Due to the small community size, the relationship between customers and the provider is close. Seven of the ATA members are cooperatives where the customers are the owner/operators. All the companies practice local hire and participation by the provider in community activities is common.

Summary

In an attempt to justify a unified regime for the flows of payments among telecommunications carriers, in this NPRM the Commission seeks comment on a bill-and-keep approach.² Additionally, the Commission states its intent to move toward “a more permanent regime that consummates the pro-competitive vision of the Telecommunications Act of 1996.”³ The ATA welcomes the opportunity to share its thoughts concerning these issues. Regarding the former -- bill-and-keep -- we strongly advocate for evaluation and process. As regards the latter, we take the liberty of reminding this Commission that the pro-universal service vision of the Telecommunications Act of 1996 is not subordinate to the pro-competitive vision.⁴

NARUC Resolution

The National Association of Regulatory Utility Commissioners (“NARUC”) adopted a resolution in response to this NPRM.⁵ NARUC “strongly recommended” that federal and state regulators fully investigate the effect of a bill-and-keep regime prior to its adoption; that the Separations Joint Board determine the impact of cost allocation issues on interstate and intrastate ratepayers; that universal service issues be referred to the Universal Service Joint Board, and; that state interconnection policies should not be pre-empted without input from the states.

The ATA respects the position adopted by NARUC and adamantly supports the referral of appropriate issues to the respective Federal-State Joint Boards for which they were created. Further, the wisdom of knowing the result -- as far as possible -- of an

² para. 1.

³ Id.

⁴ Telecommunications Act of 1996, Sec. 254(b), “[T]he Commission shall base policies for the preservation and advancement of universal service on the following principles: Quality services should be available at just, reasonable, and affordable rates.”

action, is always desirable. As this consideration effects the funding of the most advanced telecommunications system in the world, the value of knowing that result is unquestionable.

Universal Service

The concept of universal service envisions that the network is more valuable and the populace of this country better served when access to telecommunications is available to all citizens. That concept was codified in the Telecommunications Act of 1996, specifically in Section 254(b)(1), which requires that affordability be a criterion of rates.

Prior to passage of the '96 Act, the policy of universal service was surely deemed successful with national penetration rates hovering at 94 percent; and that absent any significant industry legislation since the Telecommunications Act of 1934.

The apparent predisposition of the Commission to move to a bill-and-keep regime and to do so to consummate “the pro-competitive vision of the Telecommunications Act of 1996” is worrisome.⁶

Regulation must be formulated to accomplish the dictates of the law, in this case, the Telecommunications Act of 1996. That law holds universal service in no less regard than it does a competitive telecommunications environment. If bill-and-keep is not in concert with the universal service goals of the act, it can not lawfully be implemented as a new intercarrier compensation regime. The crux of the matter is addressed in the NPRM.

[I]f we move to COBAK [Central Office Bill and Keep], we should also shift from recovering termination costs through per-minute charges, to recovering termination costs through flat monthly charges. This raises the issue of **how moving to a bill-and-keep arrangement might affect end-user rates** [emphasis added].⁷

⁵ *Resolution Regarding the Development of a Unified “Bill-and-Keep” Intercarrier Compensation Regime*, Adopted by the NARUC Board of Directors, July 18, 2001.

⁶ para. 41, “Bill-and-keep proposals may be seen as following the precedent of the Commission’s 1980 *Computer II* decision....” para. 66, “The record developed in the *ISP Intercarrier Compensation* proceeding strongly suggested that we should consider adopting a bill-and-keep compensation rule for ISP-bound traffic. We now believe that adopting such a rule is the correct policy choice....”

⁷ para. 55.

Shortly thereafter, in the same paragraph, the Commission considers whether local exchange carriers should recover their costs through per-minute charges or flat rates. That consideration indicates that the Commission does not expect the effect of bill-and-keep to cause end-user rates to decrease or to stay the same. Since the only other (and blatantly obvious) alternative is that the rates will increase, the Commission must consider if that increase will be in accord with the “just, reasonable, and affordable rates” requirement of the principles of universal service and the Act’s mandate for comparable rural/urban services and rates.⁸

In Alaska, the shift in costs to the end-user is prohibitive. The actual 1999 interstate revenue requirement for the Alaska incumbent local exchange carriers was nearly \$108 million.⁹ Of that total, most of the common line and traffic-sensitive switched access – nearly \$93 million – would be paid by the local ratepayer. Most commonly, this shift would cause the minimum end user rate, to be connected to the network, to double. However, the impact on specific rural companies would far exceed the “common” increase with some companies experiencing cost shifts of more than \$60 per month to the end user. By no stretch of the imagination could these shifts be construed as affordable or comparable to urban rates. Rural customers could not pay such amounts and penetration rates, along with rural Alaskans, would undoubtedly suffer.

Unlike the Commission, the members of the Alaska Telephone Association deal with the precarious plight of high cost, rural telecommunications service every day. We also see first hand the benefits that the network provides for our relatively small number of customers.

On a daily basis, the Commission must scrutinize a far more varied array of telecommunications providers, most of which provide service to far more customers at more efficient costs, as would generally be anticipated with dense populations and less challenging terrain. As the Commission considers a unified bill-and-keep regime that might be satisfactory in high density, urban areas, we urge you to give heed to NARUC’s

⁸ Telecommunications Act of 1996, Sec. 254(b)(3), “Consumers in all regions of the Nation...should have access to telecommunications and information services...at rates that are reasonably comparable to rates charged for similar services in urban areas.”

counsel for careful deliberation and remind you to staunchly uphold the tenets of universal service that are so important to rural Americans.

Respectfully submitted this 17th day of August 2001.

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⁹ See Attachment A, *1999 Interstate Revenue Requirement for Alaska Companies*, NECA.